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VOL. 43
7

TWO INTERVIEWS WITH PAUL SWEEZY
Kiyoshi Okonogi and Robert Weissman

UNDERSTANDING KERALAM
K.T. Ram Mohan

***MONOPOLY CAPITAL* AFTER TWENTY-FIVE YEARS**
Paul M. Sweezy

Recovering American Socialism
Christopher Phelps

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NOTES FROM THE EDITORS

Political economy was the first social science. It arose in the eighteenth century in Britain reflecting the development of capitalism at every step of the way from its mercantilist to its manufacturing and industrial forms. The subject matter of political economy was well described in the title of Adam Smith's masterpiece *The Wealth of Nations* (1776), and its status as a science was implicitly recognized in the titles of its two greatest works of the first half of the nineteenth century: David Ricardo's *Principles of Political Economy* (1817) and John Stuart Mill's work of the same title published in 1848. Later of course "political economy" became "economics" but without any significant shift in the focus of attention: the dominant work of the late nineteenth and early twentieth centuries, Alfred Marshall's *Principles of Economics* (1890), very self-consciously located itself in the direct line of descent from Smith, Ricardo, and Mill. Nor was this changed by the so-called Keynesian revolution, beginning in the Great Depression of the

(Continued on inside back cover)

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CLASS SOCIETIES: THE SOVIET UNION AND THE UNITED STATES. TWO INTERVIEWS WITH PAUL SWEEZY

The first of the two following interviews was conducted by Kiyoshi Okonogi, a Japanese journalist. It was published in condensed form in Asahi Shimbum, *one of Japan's leading newspapers, on October 16, 1991. The second interview was conducted by Robert Weissman, editor of* Multinational Monitor, *and published in its September 1991 issue.* MM*'s address is Box 19405, Washington, D.C. 20036, and the annual subscription rate is $25 for individuals.*
—The Editors

I.

Kiyoshi Okonogi: On September 6, Gorbachev and Yeltsin stated the failure of their socialist model in the televised interview with Peter Jennings of ABC. How do you observe their response?

What started out as an attempt to establish a socialist society did not succeed in actually achieving that result. So that to judge the possibilities of socialism by that particular historical experience seems to me to be methodologically incorrect. It is true that the Soviet Union and some of the other postrevolutionary societies did attempt to implement some of the ideas which are integral to socialism. But they never did succeed in achieving those goals beyond a rudimentary stage. And then what has to be always remembered is that these changes took place under extremely adverse conditions. The capitalist powers, the imperialist powers, were attempting to overthrow the system. They were afraid it might succeed,

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and it would set a very bad example for their own exploited and discriminated-against classes.

Gorbachev apparently thinks that the model has failed. But I don't see that that's relevant. And as far as the idea that the socialist project is dead, I think that's not valid at all. The socialist project arose out of opposition to capitalism. And the ideas of socialism are basically a negation of capitalism. So, the existence of socialism is in effect a reflection of the existence of capitalism. The Russian Revolution did not take hold and succeed. But that's not the death of socialism.

How would you define their "failure," or what do you see as their failure?

There is a large literature about the type of society which emerged from the Russian Revolution. My own view, and I think that of a majority of people who consider themselves to be socialists, is that it's not socialism. It's rather a class society, an exploitative society, but also not a capitalist society. That model, a class-exploitative society, failed not only because of its own internal weaknesses and contradictions but also because it was confronted by a more powerful rival which put enormous pressure on it, militarily and economically. Both kinds of pressure contributed to the downfall of the system.

How is it different from socialism? And how do you characterize the present situation?

From a Marxist point of view—and I speak as a Marxist—socialism has to be thought of first and foremost as the antithesis of capitalism. Since the defining characteristics of capitalism are private ownership of the means of production and allocation of productive resources and distribution of products through a system of competitive markets, it follows that necessary conditions for existence of socialism are public ownership of at least the decisive means of production and the substitution of planning for allocation and distribution by means of competitive markets. These are necessary but not sufficient conditions for the existence of socialism. It is also

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essential that the public that owns the means of production and controls the planning process should be the actual producers of goods and services and not a separate class of bosses and managers. In other words, from the Marxist perspective socialism is not only an economic system of state ownership and planning but also a political system of workers' democracy.

In my view the Russian Revolution actually did realize the first two necessary conditions of socialism—state ownership of the means of production and economic planning. The Bolshevik leaders of the revolution originally intended to realize workers' democracy as well, but for reasons too numerous and complicated to be analyzed here, they did not succeed. Instead what happened under Stalin and his successors was precisely the emergence of a new ruling class of bosses and managers. This new ruling class organized and reproduced itself through the Communist Party and its peculiar creation the *nomenklatura*; and it arrogated to itself undisputed control over the economy and the country's armed forces and security apparatuses. However, it was never a strong ruling class in the sense that capitalists in developed capitalist countries constitute a strong ruling class with cultural and ideological hegemony over the dominated classes.

Against this background, I think we can understand why the economic crisis which came to a head in the late 1970s and early 80s turned into a general crisis of the whole system. The economic crisis itself stemmed from the exhaustion of the model of *extensive* industrialization adopted by Stalin in the late 1920s which depended on the availability of ever new supplies of labor power and raw materials to maintain a satisfactory rate of growth. As the sources of these new supplies dried up—which of course was bound to happen sooner or later—the growth rate lagged at the expense of living standards and the provision of social services. And this occurred at the same time that the Reagan administration in the United States was stepping up the external pressures on the Soviets through a greatly increased arms program. The planning

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system with its huge unwieldy bureaucracy had never known anything but this extensive model of growth, and it was totally incapable of coping with the model's deepening crisis.

This was the situation that prevailed in 1985 when Gorbachev came to power as leader of a growing reform faction of the Soviet ruling class. His program consisted of three parts: (1) *perestroika*, intended to revitalize the economy by substituting private enterprise and free markets for bureaucratic planning; (2) *glasnost*, i.e., freeing the people from coercive controls and thus preparing the way for the mobilization of popular support for the reform project; and (3) calling off the Cold War and the arms race by withdrawing support from the satellite regimes in Eastern Europe and complying with American demands concerning arms control and backing for national liberation movements in the third world.

Given the fact that social change even under the most favorable conditions proceeds only gradually and slowly, it was inevitable—in retrospect we can now see this clearly—that the result of these new policies would be to throw the economy into even greater confusion; to destroy the foundations of the existing ruling class without putting anything in its place; and to lay open to question the viability of the kind of multi-nation union that had had its origins in the Tsarist empire and had survived through the Soviet period only through the actual or threatened use of overwhelming force.

What do you think of the relationship between socialist society and the market?

In my opinion, the problem is not whether you use the market, or whether markets exist. They do exist, and will exist. No substitute for markets could be devised in the actual operation of a complicated advanced economy. But the real question is whether the markets should dominate the economy, or whether they should be used as a tool for operationalizing a plan. And I think that there is a large literature which has shown the logical possibilities of using markets under the

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control of an overall plan, for example, by means of fiscal policies and distribution-of-income policies designed to ensure that markets do not become instruments for giving advantages to those who already have more ability, more money, more property, more resources than others. In other words, the problem of capitalism is that markets inevitably tend to reward the strong, and to further disadvantage the weak. As the Bible says, "To him that has shall be given, and from him that has not shall be taken away even that which he has." This is the tendency of markets. They can, however, be controlled, though it's not easy, and there will always be a tendency for markets to get out of control. I think this is one of the central problems of a socialist society, one which can be solved only by experience, and not by abstract schemes put out in advance.

Do you think that the Soviet people might have succeeded in establishing a true socialism, if there had been democracy and planning with the limited but efficient use of the market?

That's the hope, that some time in the future that would be possible. But I do not think it was possible under the historical circumstances of the Soviet Union. For it was poor and technologically underdeveloped and under constant pressure from more powerful rivals. I don't blame the Soviet leadership for not developing a workable market system during that period. I think it would have been impossible.

What would be the major benefit of utilizing the market for the building up of the socialist society? Determining the value of commodities in which labor is embodied, or bringing efficiency through competition?

A socialist economy should be aware of the full costs of what it produces. It should have an accurate idea of how much everything costs. This doesn't mean that it should always charge prices that equal costs, but it should be aware that if it is charging more there is a reason for it, and if it is charging less there is also a reason for it. This is a basic difference

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between the way a planned socialist society would operate and the way an unfettered market economy is supposed to operate under the control of capital. The most important problems, I think, have to do with the distribution of productive resources among industries. In a planned economy, capital would be allocated according to the plan rather than the profit calculations of individual capitalists. The guiding principle would be the needs of the workers including those who are not able to work, those who are too young or too old, disadvantaged by reason of injury or illness. Rewards have to be adjusted to needs. And this is what a market economy does not do. Even under capitalism it has always been found necessary for the state to intervene and make some corrections. These corrections are usually fought against by capital, and capital is usually strong enough to have its way. That is the real difference between a planned economy and what is nowadays called a market economy, which is really a capitalist economy.

How would you answer those people who still think that it was a socialist regime that we saw in the Soviet Union because it had the two essential conditions—social or state ownership and planned economy?

I thought myself when I was young that planning and state ownership of the means of production were enough to define socialism. As a matter of fact, the first issue of *Monthly Review* in 1949 said that. But experience has shown that the claim of the Communist Party and the government in the Soviet Union to represent the interest of the workers was invalid. The leaders constituted themselves as a distinct group that made all the decisions, and this group became increasingly separated from the workers and became corrupted.

That is the thing that prevents a planned system from actually producing results radically different from a capitalist system. If you don't have democracy, if you don't have workers' control, or mass control, or people's control over the plan, it can be used just as well as capitalism and markets to exploit workers against their interests.

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Could you elaborate on your observation that the failure of the Soviet economy stemmed from the exhaustion of the sources of additional labor power and raw materials?

When the Soviet Union began its drive to industrialize in the late 1920s, it adopted technologies that had been developed by capitalism. To go with these technologies it needed a greatly expanded urban labor force and an ample supply of raw materials. It lacked the capability for technological advancement at that time, and in fact never really developed such a capacity except in the military field, falling further and further behind capitalism in this respect from one Five Year Plan to the next. As a result, in order to maintain a rate of growth adequate to provide for its increasing civilian and military needs, the Soviet Union had to rely on continuous expansion in the supplies of labor power and raw materials. But for a variety of reasons—slowing down of the rate of growth of the population, war losses, exhaustion of the reserves of surplus rural workers—the possibilities of this extensive growth model were limited. This was the basic reason for the decline in the rate of growth of Gross National Product that began to show up in the 1970s and reached crisis proportions in the early 80s. What would have been needed to cope with this crisis was a shift from an extensive to an intensive growth model. But this was far beyond the capability of an inflexible, bureaucratic planning system which in every way had been shaped by and was committed to the old system.

So what do you think is the best solution for the Soviet Union?

I do not think that transforming the Soviet Union into a capitalist society is any solution at all. This is apparently the course favored by Gorbachev and Yeltsin and most of the other leaders and would-be leaders one reads about in the Western press. But it could not be accomplished in 500 days, or even in ten years. And even if it were accomplished, the result would most likely be what has been called the Latin Americanization of the Soviet Union, turning the whole economy into what would be in effect a group of neocolonies under

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the domination of a relative handful of foreign monopolies and banks. This, I fear, is an all-too-real possibility. But I would not consider it a solution for the Soviet Union.

The alternative, I think, is the development of a new form of society, or perhaps it would be better to say a new form of socialism, going back to the original hopes and dreams of the Russian Revolution but incorporating the lessons that can be learned from the more than half century of subsequent experience. I have no blueprint in mind, and I don't believe blueprints are needed. What is needed are general principles—continued public ownership of the commanding heights of the economy, overall but decentralized and flexible planning, creative use of controlled markets, and above all genuine as distinct from merely formal democracy.

Is this a realistic project? I don't know, of course. But I think the conditions are more favorable than they might at first sight appear to be. Normally, what stands in the way of basic change in a society is the opposition of a ruling class whose interests would be damaged. But these are not normal times in the Soviet Union. As I pointed out earlier, Gorbachev's reforms undermined what may be called the Stalinist ruling class which consolidated its power in the 1930s and lost its grip in the last two years. Many members of that class are still in positions of authority in the economy and the state apparatus, but they have lost their collective identity and the means of enforcing their will. On the other hand a new ruling class based on the restoration of private property in the means of production, which the Gorbachev reforms aim to create, has not come into existence and almost certainly will not in any near future. Meanwhile, as recent events have dramatically shown, there is simply no coherent power structure in the Soviet Union. But there is, objectively speaking, a relatively large and well-developed working class of wage and salary earners. They too lack a collective identity and any organized means of expressing, let alone acting to realize their common interests.

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To me it seems clear that the only hope for a real solution in the Soviet Union rests with this working class. If it becomes conscious of its interests as a class and undertakes to organize to defend them, I think it will almost inevitably move in the direction of the kind of socialism sketched in the answer to your last question. It is of course a very big "if," and so far at any rate there does not seem to be much reason for optimism. But if I am right that the present condition of instability and confusion is likely to last a long time, then many things, now unforeseen and perhaps even unimagined, will happen. And not the most unlikely, I should think, would be the rebirth of a militant working class.

II.

Robert Weissman: Why did the Soviet system fall apart so suddenly after the coup?

I think that it didn't really fall apart at this time. The basic changes came before this particular crisis. The coup, obviously an amateurish, bungled job, accelerated matters somewhat. It cleared away certain obstacles to a process—the disintegration of the old command, centralized system of the economy—which was already underway.

On the other hand, I don't think that very much has really changed. I don't see that Gorbachev lost anything—I think he gained power, as a matter of fact, insofar as he or Yeltsin or anyone else as an individual can have any power.

These processes are very elemental processes and one need not be—or should not be—surprised when episodes like the attempted coup or crises of that kind occur. I'm sure that they will. I think the process has been underway for two years now, is continuing and will continue.

I don't know where they are going, but Marxist analysis ought to have some kind of framework within which to put historical events of this kind. Marxists should be thinking in terms of classes and class struggles and they are not.

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What are the underlying structural causes of the disintegration of the command economy?

The Soviet economy had gone into a stagnation during the Brezhnev era. The outward manifestation of this was, of course, a slowdown in the rate of growth which was apparently, from what we know now, much steeper than what official statistics showed at the time.

The centrally planned system was enormously effective early on, after the revolution, in solving the problem of making the Soviet Union a formidable military power. It never had succeeded in solving any of the problems of the peacetime economy, nor did it really try to, because the Cold War forced the Soviet Union to continue as a military-dominated dictatorship even after the Second World War. If, at the end of the Second World War, when the regime was popular and success had been achieved, it had been feasible to transform their economy into a peacetime economy and to loosen up the dictatorial regime, I think there would have been a chance for the Soviet Union to develop into something quite different.

Instead, the Cold War ensued. The United States almost deliberately, as a matter of policy, imposed the Cold War with an intention of forcing the Soviet Union into an inescapable bind from which it could never really transform itself into an attractive socialist economy. Having missed that potentiality, the system from then on deteriorated. It did have the recuperative power to make good the damages inflicted by war. But after that it began to wind down. Out of necessity it used its resources, its best resources, its best man- and woman-power for military purposes. This began to take its toll, and I think that is at the origin of the stagnation of the 1970s and 1980s.

I wrote a book called *Post-Revolutionary Society* which was published in 1981, four years before Gorbachev came to power. In it, I spoke of the stagnation of the Soviet economy in parallel to the stagnation of the capitalist world economy, with both of them having similar manifestations in the slowdown of growth of the economy but no way out of the crisis.

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Gorbachev recognized that something had to be done. I don't know if there was any way other than what he did—he had to open it up. For that, he gets credit, whatever happens. He opened it up. He accepted the implications of the Cold War: that the Soviet Union had lost it; that they had to let the Eastern European countries go their own way. All that was implicit in the collapse of the system which had fought the Second World War, won the Second World War, succeeded in reconstructing the economy but never in making a transition to a system which would operate in peacetime, in part because it never had peacetime.

What would be the main elements of a Marxist analysis of the current situation in the Soviet Union?

From a Marxist point of view, every society has to be first conceived and understood as a class society—that is every society that history has dealt with for the last 15,000 years, since the agricultural revolution. They are all class societies. If you want to understand them from a Marxist point of view, you have got to identify the class structure, the subordinate and dominant classes, the modes of extracting surpluses.

Nobody seems to be applying that framework to the Soviet Union today, and there are reasons for it. The class structure of the Soviet Union is extremely fluid and undefined, very difficult to deal with. I don't know of any good work, theoretical or empirical, on this subject.

The capitalist class, which they want to get, doesn't exist in the Soviet Union. The working class does exist—it is perhaps the most clearly formed class in the Soviet Union—and consists of those who would not be able to survive if they did not have their wages or unemployment insurance. That class is what Marx calls a class in itself, as it exists. It is statistically measurable; the working class is probably 75 to 80 percent of the Soviet population. But it has a history which has prevented it from developing its own ideas, from recognizing its interests. It is a class in itself, but it is as far as you can get from a class for itself, by which Marx meant a class which is conscious of

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its existence as a class, knows its interests, has some kind of leadership and organizations to carry through.

The best example in the developed capitalist world of a class for itself is the monopoly capitalist class of the United States, Japan, and Germany. They are enormously powerful, very well aware of their interests and have the political means to carry out their project. Nothing like that exists in the Soviet Union.

Soviet leaders want to create a capitalist system, but they do not have a capitalist class to help them. People like Gorbachev and Yeltsin and these individuals who are thrown up by historical turbulence are in no condition, really, to provide the framework within which a capitalist project can be carried forward. You have to remember that the development of a capitalist class in the West took at least a couple of centuries. In the Soviet Union, what they want to do is get the mode of production now and develop the class later, or at the same time. It is a historical problem without any precedent.

To what extent can foreign capital and foreign investment fill that role or stimulate others to fill it?

I don't think it can fill the role at all. Or, let's put it this way: to the extent that it fills the role, it will lead to what I think can best be described as a Latin Americanization of the Soviet Union. In other words, it will make it into a colonial area. I think the Soviet Union is too big and unwieldy; I doubt that can be done.

Certainly the idea that foreigners are going to go into an area as big and complex as the Soviet Union and do the job is an illusion. They could conceivably set up what would in effect be colonies or plantations, perhaps, which would be the sources of wealth for some segments of the Western capitalist economies, but it wouldn't have anything to do with creating a capitalist society in the Soviet Union or Russia.

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Do you have any predictions about where the Soviet economy may be headed?

I think it depends very much on whether the working class in the Soviet Union and particularly in Russia and the Ukraine develops in the direction of self-organization and becomes conscious of its interests as a class, its potential power, and so on. To what extent that may happen at the present time, I really don't know. I have seen some reports which indicate that there are at least some areas—the coal miners, the auto workers, maybe the transport workers—where there is some movement.

Looking at the history of capitalism in the West, the emergence of a working class and its development of its own institutions, its own ideology, took a long time—pretty much the whole nineteenth century. It was much more reformist than revolutionary in terms of what Marx expected, but, at any rate, by the end of the nineteenth century, by the First World War, you had an international working class movement with its own institutions and well-developed ideas. But look how long it took. Can we expect anything to go very much more quickly in the Soviet Union?

I would say one thing we should have learned more than anything else is the general rule that everything goes slowly in history. It may go faster than it did earlier in history, but even fast history is pretty slow by the timetable of an individual's life. Usually, you have to think in terms of generations and not in terms of years or decades. So I think the processes are going to be long and drawn-out, and many surprises can come up.

How eager is the Soviet populace for a market economy to be imported?

It looks to me from what I have read that they are not very eager at all. They do not seem to have much enthusiasm for a market economy, though it might be good for them. Some kind of order probably is necessary and I think markets—without actually involving a full-fledged restoration of

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capitalism, maybe something along the lines of the New Economic Policy of the 1920s—might be beneficial.

To what extent does communist ideology still have adherents among the general population?

Communist ideology in the Soviet Union had become a rigidified set of doctrines which was more ideological than scientific; it had become an instrument of rule rather than a tool of serious analysis. Under Stalin, it became rigid, and from then it degenerated even by Stalin's standards. He at least had some interesting theories and thoughts about things like markets and nationalism which were not simply ideological constructs. But by the time of Brezhnev, communist ideology had been totally distorted from any of its roots in Marxism. And the way it was taught in the schools was apparently totally boring and stupid. So young people naturally have no idea what Marxism is all about. I would expect that now the possibility may exist for Soviets to begin to study Marx and Lenin and Trotsky and some other theorists who were very creative thinkers.

We have the same problem here of course. Our theories of democracy are rigidified and stultified.

What elements from the old Soviet system are worth salvaging, either for the Soviet Union or for other societies?

I think the elements which are worth salvaging are perfectly clear: the social security system, the health care system, the educational system. Those were the only things that kept the old system going as long as it did. After all, people did have a certain sense of security. That is what they are losing all over Eastern Europe now. Not as much would have been done in the social security systems in Western Europe if the Soviet Union did not in a sense provide an example with which they competed. Though the Swedish and the German and the English examples go back long before the Russian Revolution, I don't think they would have been as thorough as they were

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but for the Soviet example. Those things are not only salvageable, but they are essentially here to stay.

How is the end of the Cold War and the dissolution of the Soviet Union going to affect Cuba?

I really do not know ... I think the United States is behaving very foolishly and stupidly toward Cuba. They obviously would like to restore the old order in Cuba, but I don't think that the Cubans will have any enthusiasm for that. To be restored at all, it would have to be in a bloody dictatorial form. If, at the present time, the United States would say, "Alright, let's trade with Cuba and treat them like any other country," that would be a real challenge for Fidel—I don't know what he would do then. It might be the best way for the United States to win the battle of Cuba. On the other hand, I don't think our ruling class would ever have the sense to do that.

What are going to be the main effects of the end of the Cold War on the U.S. economy?

The collapse of the Cold War is a genuine watershed in the post-Second World War development of capitalism and in particular of the United States. The U.S. economy has been sustained—with whatever qualifications you want to make—by the Cold War of forty years. That hasn't been suddenly eradicated, but it will never be the same. I don't think there is ever going to be a plausible enemy like the Soviet Union which can make this country easily and willingly swallow wasting 5 or 10 percent of the gross national product on miliary expenditures. Yet this has been the sustainable element for the relatively prosperous development of capitalism.

So we are in a period of chronic crisis, I believe. Capitalism, at heart, is a system of capital accumulation, and the capital accumulation process is in a shambles. There is nothing like the historic role of private capital accumulation to underpin the whole economy. And without that and without the Cold War, I don't see any plausible alternative, with the

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possible exception of a very highly developed welfare state society—but that is politically far out of reach now. Otherwise, I cannot see what is going to make the system work in any reasonably satisfactory way in terms of secure, reasonably harmonious interclass relations. I think that is all down the drain with the Cold War, and I don't think the people who think seriously about these questions have begun to grasp what is going on. There has been a drastic, basic change in the global conditions under which capitalism developed.

Again, you need to use a class analysis to understand our capitalist class, the most powerful class the world has every seen, but one which has no thoughts, no way of understanding itself. It knows what its immediate interests are but not its long-term interests.

Many business groups have suggested that free trade is a means to spark worldwide growth.

I think free trade on a global scale is in retreat, very definitely. The global capitalist economy is being regrouped into three empires or spheres of influence—the United States in the Western hemisphere, Germany in Europe, and Japan in Asia—and these are more and more becoming blocs. They may have freer trade within the blocs, but if you average the trade freedom on a global scale, I think you'll see it is going downhill, not uphill.

In any case, you can't be serious to think that free trade is going to solve the problem of a shortage of private capital accumulation. Trade is too small.

How do you expect relations between the United States, Japan, and Europe to evolve?

It will take some time before we can see that very clearly. I think the U.S. relative economic decline will probably be speeded up. To what extent this can be compensated by military domination remains to be seen.

I think it is going to depend to a considerable extent on what happens internally. If the U.S. population does not react

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in some way to militarization and world domination, it can probably go on for quite a long time with terrible disasters. The Gulf War is just the beginning of what could happen.

I put whatever hopes I have at the present time on a kind of reanimation of domestic opposition to the whole shebang—the whole range of international and domestic policies. But I have to say that I don't see many signs of that reanimation. Still, one who lived through the 1930s—as I did—is always looking for signs of an uprising from below such as took place in the 30s and wondering why it doesn't happen.

Made Safe by Marines, Grenada Now Is Haven for Offshore Banks

ST. GEORGE'S, Grenada

Eight years ago, U.S. troops stormed the shores of this Caribbean island to oust the Communist government and make Grenada safe for democracy. Now, the invasion by the 82nd Airborne has been followed by an invasion of banks. This rickety, backwater capital city of 7,500 boasts 118 offshore banks, or one for every 64 residents. That's up from three 18 months ago. St. George's has become the Casablanca of the Caribbean, a fast-growing haven for money laundering, tax evasion and assorted financial fraud, according to dismayed U.S. and other Western banking officials.

—*Wall Street Journal*, October 29, 1991

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UNDERSTANDING KERALAM: THE TRAGEDY OF RADICAL SCHOLARSHIP

by K.T. RAM MOHAN

Of all Indian states, perhaps next only to West Bengal, MR enjoys the widest currency in Keralam (Kerala).* Also, Samir Amin is a very familiar author among the serious students of social sciences in the state. To them, his observations on the state (in "Four Comments on Kerala," MR, January 1991) come as a shock.

Amin fully endorses the views of Richard W. Franke and Barbara H. Chasin (appearing in the same MR issue) and argues that Keralam has achieved next to the best. In particular, he emphasizes the land reforms and the success attained in providing basic services to the people—"in itself a policy of redistribution of wealth and income" (p. 29). This is attributed to the "progressive government" of Keralam, which is seen as an alliance of workers and peasants.

All these inferences demand careful scrutiny.

Land Reforms: How Radical?

At the outset it should be pointed out that, while land redistribution is the first step in any meaningful program of

K.T. Ram Mohan is a Doctoral Fellow at the Centre for Development Studies in Kerala, India. He would like to thank Bhawani, Rajagopalan, and Cyriac for their comments on the first draft of the essay. *The author has chosen to use the original Malayalam terms "Keralam" and "Keraleeyar" instead of their colonial substitutes "Kerala" and "Keralam."

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social transformation, much caution has to be exercised in equating redistribution of land with redistribution of wealth—particularly in the present-day Keralam context. After all, like other categories, wealth is a historical category. In Keralam today, well reflecting the neocolonial character of its development, wealth assumes various forms: mercantile and usurious capital, urban real estate, jewelry, securities of all-India big companies. Also, it would include large modern industrial enterprises—engaged in the production of aluminum, chemicals, fertilizers, automobile tires, rare earth compounds, etc.—in the state owned by MNC subsidiaries, Indian big capitalists, and the central government. Clearly, it makes little sense to speak of a scheme of redistribution of wealth that leaves these untouched.

Let us now look closer at the implications of Keralam's land reforms. Definitely, it is to the credit of the reforms that tenurial relations were liquidated; at least with reference to that time-point (through leasing, new forms of tenancy could and did arise to some extent). But while landlords were well-compensated, and direct tenants received full ownership rights, the reforms provided practically nothing for the vast body of subtenants and landless agricultural workers. These sections were supposed to benefit from redistribution of excess land taken over by the government under the ceilings legislation. However, this—which should have been the most radical component of the reforms—turned out to be a total farce. Ceiling laws granted full exemption to estates growing plantation crops such as tea, coffee, rubber, and cardamom. Given the predominance of such crops in the region, this was indeed a serious lacuna. Almost the entire highland of Keralam and parts of the midland were thereby excluded from the ceilings legislation. It might surprise Amin that only *1 percent* of the total cultivable land in the state—i.e., about 25,000 hectares out of a total 2.5 million hectares—has been redistributed under the ceilings legislation. The agrarian scene in Keralam therefore continues to be marred by gross

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inequalities. The large plantations all are in the hands of British/pan-Indian capital. To cite an instance, two of these, Harrisons Malayalam Ltd., and Tata Tea Ltd., hold between themselves over 50,000 hectares—i.e., twice the land area redistributed under the ceilings legislation! Again, Tata Tea's integrated plantation block of 25,000 hectares in Keralam is the single largest tea holding in the world. To be sure, no small farming state this.

Further, Keralam's 1969 land reforms cannot be viewed in disjunction from the evolution of agrarian relations in the region during the earlier period. In princely Thiruvithamkoor (roughly corresponding to present-day southern Keralam) legislation conferring full ownership rights on the state's tenants had been enacted during the late nineteenth century. Given the fact that state-owned land constituted over three fourths of the cultivated land in Thiruvithamkoor, the reform was of great significance. Around 80,000 hectares of state-owned land were thus passed into the hands of the tenants. Also, tenants other than state's tenants were assured of perpetual possession provided dues to the landlord were paid without fail. Again, the princely state of Kochi (roughly present-day central Keralam), where around 40 percent of the land was under state ownership, legislation similar to that in Thiruvithamkoor came to be enacted during the second decade of the present century.

It needs to be pointed out here that these reforms were *not* of an "autonomous" kind, or the work of "enlightened local rulers" as is sometimes argued. On the contrary, along with other changes—such as abolition of local governments' monopoly of external trade, unification of tariffs in the entire subcontinent (including the princely states), supersession of native currencies by British Indian currency—the abolition of state landlordism in Keralam's princedoms marked the beginning of a rapid process of subordinated integration of the region with the world market. Dissolution of state landlordism implied release of land into the market; increasing area was put to cultivation by local people—to raise crops for the world

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market. State-owned forests were thrown open to the British to set up plantations growing tea, coffee, rubber—again for the world market.

Basic Services: A Closer Look

In his discussion of Keralam's achievements in the sphere of basic services—drinking water, health, education, transport, electricity, banking, and so on—Amin underplays history, as well as the geographical characteristics of the region. It is worth remembering that in terms of some of the basic services such as education and health, Keralam was much ahead of many other regions of the subcontinent by the beginning of the present century. For instance, in 1901, only 5 percent of Indians were literate, while in Keralam 14 percent of the people were literate. Likewise, female literacy in Keralam was then 6 percent, as against merely 1 percent in all-India. Again, by the second decade of the present century, the death rate in Thiruvithamkoor had fallen to 20 per thousand, which was significantly lower than in most other regions in the subcontinent. By 1940, it had been reduced further to 12 per thousand.

Separated from the Indian plains by the western Ghats, and bounded by the Arabian Sea on the other side, Keralam is a specific geographical (and cultural) entity. Plentiful availability of water—this narrow strip of land has over forty rivers flowing through it—is a major geographical asset of the region. Backwaters are also extensive. And in almost any part of the region a well may be dug, and one is sure to find water. The even availability of water rendered possible an even settlement pattern. Also, in the more recent period, river water became a source of cheap electricity. While the easy availability of clean water for drinking and bathing in itself significantly contributed to healthy living, the even settlement pattern—as distinct from cluster villages in the rest of the subcontinent—helped reduce the chances of rapid spread of epidemics in the region. Equally important was Keralam's

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strong indigenous tradition of knowledge and diffusion of knowledge, the latter being significantly facilitated by the settlement pattern. The rigid caste system would however show up as a barrier to knowledge diffusion, but with anticaste struggles gaining momentum in the nineteenth century, such social blockades began to fast crumble.

Colonial transformation brought forth further expansion of basic services—particularly transport, credit, education, and health. At variance with the landlocked regions in the subcontinent, Keralam's integration with the world market was extremely intense. The conversion of the generally self-sufficient region that Keralam had been into an export-oriented cash crop/primary-processed-material-producing appendage of the world market led to severe external dependence for rice—the major cereal food of the people. A wide network of roads—for carrying traditional agricultural products from the villages to the market towns and then to the ports, plantation produce from highland to the coast, and paddy and rice to the plantation areas—and railways, linking the region with upcountry market centers, were born of the transformation of the economy on the above lines. Besides, the state had to play an active role in making rice available to the people and supplying it at subsidized rates in times of misery. While the princely states' role in this regard can be traced back to the nineteenth century, during the early 1940s it took on new dimensions like fair price outlets, free mid-day meals for poor children in primary schools, and state-assisted hotels supplying standard meals. It was in Kochi in 1943 that rural rationing was introduced for the first time in India. As much as 40 percent of the gross yield of paddy in Kochi, 25 percent in Thiruvithamkoor, and around 20 percent in Malabar were procured by the respective governments for distribution through fair price shops.

Besides, colonization brought with it systems of Western medicine and education which, acting upon an already strong indigenous base, produced fairly spectacular results. Apart from schools imparting English education and hospitals of the

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Western kind, the period witnessed the rapid growth of vernacular education schools and ayurvedic (i.e., traditional medicine) dispensaries patterned on the Western model.

Integral to colonial transformation was a rapid process of monetization of the economy. The financial market that emerged had two constituents: British exchange banks based in Keralam's port towns catering to the British-controlled export sector, and a vast network of small indigenous money-lending institutions relating to the local peasants who, as noted earlier, were also producing mainly for export. In the post-1947 period, particularly during the 1970s, home remittances from Keraleeyar working outside the state, relatively high income accruing to the salaried middle class and to a narrow band of rich peasants, have significantly increased the supply of bank funds; simultaneously, the growing needs of the cash-crop and trading sectors of the economy have led to demand expansion.

Democratization Experience: Of Decisive Importance

The most important factor behind Keralam's achievements is the democratization experience of Keralam—the high level of consciousness regarding the rights and potential of human existence and the need and legitimacy of struggles to achieve these rights and realize the potential. It is not enough that roads are built and wells are dug, but people should have the right to use them. This right, long denied to a significant section of the people—the lower-caste people—was won through a protracted struggle against the upper-caste people. In other words, basic services became accessible to the whole people through long struggles waged on various fronts. When Amin attributes Keralam's achievements to the Communist Party of India-Marxist (CPM)—a party that has held power for less than a decade altogether—the specificities of Keralam's democratization experience are lost sight of.

Keralam's democratization has a history that spans over two centuries. It was particularly enriched through anticaste

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struggles led by lower caste people, antifeudal, anti-imperial struggles of Malabar tenants, various community reform movements, the rationalist movement, and anti-British struggles first waged by petty chieftains and their bands of loyalists and later by broader sections of the people. Also, Keralam's history is replete with expressions of peasant/worker spontaneity and women's protest. Most of these strands of democratic consciousness found consolidation in the militant antifeudal, anti-imperial struggle led by the Communist Party in the 1940s.

The democratization of Keralam has been carried to the present through radical women's struggles, an antinuke movement, environment-protection struggles under the lead of "pure greens" as well as the "red greens," and militant agitations by workers and broader sections of the people against the power of multinational and pan-Indian capital. It should be emphasized here that the CPM and the Communist Party of India (CPI) of the present are substantially different from the undivided Communist Party of India of the 1940s—these parties not merely shy away from most of the present day democratic struggles, but are particularly hostile to them.

The Politics of Degeneration

Is the CPM a progressive party? A party of workers and peasants? These questions can be satisfactorily answered only if one has a fairly good understanding of the overall political scenario of Keralam. Take cadre composition; one would find that major political parties in Keralam draw their ranks mostly from the same sections of people: workers, small peasants, petty traders, lower sections of the salaried middle class, and educated, unemployed young people. This is as true of a notoriously rightist party like Congress (I) as of CPM or CPI. Apart from these major parties, there are smaller parties like Kerala Congress (M), which represent specific class/community interests (here, middle and rich rubber peasants, mostly Syrian Christians), Kerala Congress (J), Socialist Republican

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Party, and so on. There is also the Muslim League, which seeks to defend religious minority interests. Significantly gaining in strength, but with much less following than the major political parties in the state, is Bharatheeya Janata Party (BJP), which is unashamedly Hindu fascist. Within Keralam, the party bases itself upon the support of immigrant merchant communities from western India and Tamil Nadu, a section of high-caste Hindu bureaucrats and professionals, and educated, unemployed young people. In recent years BJP has made inroads into other sections such as workers, peasants, and the lower middle class.

Save for BJP—which has the diabolic aim of building a totally Hindu India upon the corpses of people of minority religions (like Sikhs and Muslims), and of "untouchable" Hindus—for all parties listed above, politics means electoral politics. There are two electoral fronts in Keralam: Left Democratic Front (LDF) led by the CPM and United Democratic Front (UDF) led by Congress (I). Each front has its sprinkling of smaller parties. As the needs of political opportunism dictate, CPM and Congress (I) seek or reject the assistance of these parties. Likewise, the minor parties shift their loyalties according to their narrow interests. Both of these fronts play the same cards (including appeasement of religious-communalist forces) and dirty tricks to win the electoral game.

It was mentioned that the major political parties of Keralam draw their ranks mostly from the same social sections. Partly on account of this, and also because of the generally high level of democratic consciousness among the people, both of the fronts are forced to produce electoral manifestoes that are substantially the same. Invariably, the manifestoes contain such promises as extension of workers' welfare measures to more sectors, increases in pensions for agricultural workers and peasants, fixing of minimum wages, increase in the unemployment dole, and higher pay and bonuses for government employees. Moreover, resolving unemployment and curbing inflation are the main planks of both manifestoes. In fact, operating under the constraints of India's

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pseudofederal system, the fronts cannot advance anything substantive, even if they wish to.

Once a front, whichever it may be, wins the elections and assumes office, most of the promises are forgotten. The case of "employment for ten *Lakhs* of people every year"—the promise held out by LDF during the 1987 elections to the State Legislative Assembly—is most revealing. (*Lakh* is the Indian word for 100,000.) Within a short time of assuming office, LDF spokesmen were to make a correction: the promised employment was over a period of five years. Later it was "clarified" that the offer was for ten *Lakh* days of employment, provided the Center offered sufficient assistance. And still some time later, the front would wash its hands completely, saying that it was a case of a printer's devil in the manifesto! A few of the promises are kept, but mostly on paper. Minimum-wage legislation in Keralam very well illustrates this. In spite of the legislation, even in the cooperative sector of the coir yarn spinning industry, minimum wages are not paid; likewise, in the private sector of beadi-making. There are stock explanations advanced by each front for the nonfunctioning of its government. While LDF would attribute it to the Center's neglect of the state, UDF would hold noncooperation from CPM-led trade unions and lumpen violence of CPM cadre as reasons for nonfunctioning. The majority of the voters in Keralam are now very well aware of the fact that the difference between the two fronts is quite thin; hence each front gains the opportunity to come to power at one time or the other, the margin of votes the successful front gets being usually very narrow. In the 1982 state elections, the UDF had a margin of a mere 0.99 percent of the total valid vote; in 1987, LDF won by a narrow edge of 1.32 percent of the vote.*

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*It is incorrect to state, as you do in your "Notes From The Editors," that "since the 1950s the state has been governed, with short interruptions, by the Communist Party (Marxist) ..." The CPM was formed in 1964, and the CPM-led front has been in power during 1967-69, 1980-81, and 1987-present, i.e., less than a decade altogether. Thus, rather than "with short interruptions," it was "during short interruptions" that Keralam has been governed by the CPM-led front.

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Amin wonders why "progressive" Keralam has been tolerated by the Indian big-bourgeoisie and its allies who hold power in New Delhi. He is right when he observes that the Indian constitution sees to it that the differences in local policies do not menace the overall rule of capital. But this is only half the story. The Indian constitution by itself cannot guarantee the smooth reproduction of the capitalist system. Cooperation from political parties that hold power in the states is crucial in this regard. In other words, the rule of the Indian bourgeoisie from New Delhi depends very much on loyalty elicited from parties like CPM and CPI in Keralam. And loyalty to the bourgeoisie from these parties has never been lacking. It was seen in our discussion of Keralam's land reforms that the reforms left the extensive plantation holdings of British and pan-Indian capital in Keralam totally untouched. On the industrial front, successive governments of Keralam, left as well as right, have followed the same policy of appeasing the Indian monopolistic bourgeoisie and multinational capital through various kinds of concessions and helping them to start industries in the state. Given such a situation, why should the central government worry about Keralam at all?

Tortuous Road Ahead

Keralam today is a dazzling jewel in the crown of the Indian big-bourgeoisie (and multinational capital). The state accounts for almost all the natural rubber and coconut oil produced in the country. But these are turned into value-added products—automobile tires and soaps respectively—in mammoth factories owned by Indian big capitalists, mostly situated elsewhere in the country. The prices accruing to the rubber and coconut growers of Keralam are dictated by these capitalists.

The state yields to the central exchequer, every year, over Rs. 10 billion ($400 million) worth of foreign exchange through international exports of spices, coir, cashew, planta-

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tion, and marine products; and a substantial amount by way of export tariff on these. Besides, home remittances of non-resident Keraleeyar contribute significantly—over Rs. 3 billion annually—to the foreign exchange reserves of the central government. The other major beneficiary of the remittances is the Indian big-bourgeoisie, for the remittances mainly serve to expand Keralam's consumer market. The state, which has a spread of less than 4 percent of India's population and 1 percent of land area, accounts for around 14 percent of the Indian consumer market.

In addition, Keralam is now a major source of capital for Indian big companies. In the context of the dominance of the Indian big-bourgeoisie in the manufacturing sphere, surplus accumulating in local hands in the small plantation and trading sectors of Keralam fails to get transformed into industrial capital. Instead, further accumulation is carried on in several other directions: hotels, transport, cinema, moneylending. Investment in securities of Indian big companies is the latest in the line. And in the highly literate, media-dense state that Keralam is, the share mania has spread among broader sections of the people: particularly petty traders, professionals, and the salaried class. The merchant banking division of a private commercial bank in Keralam collected over Rs. 500 million on share applications during the first ten months of its working. Within a decade of its establishment, the stock exchange in Kochi has risen to the rank of the fourth biggest in the country. And a second stock exchange has already appeared in the state. Keralam is a major catchment area of funds for centrally owned commercial banks and financial institutions too. Only a minor part of the funds thus collected, however, return to the state in the form of advances and investment.

A similar drain of surplus occurs in the productive spheres of the Keralam economy. As was pointed out earlier, the majority of the large plantations in Keralam are in the hands of British/pan-Indian capitalists. Also, whatever large modern industrial enterprises Keralam has are owned and

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operated by MNC subsidiaries, pan-Indian capitalists, and the central government. The state has the largest and best deposit of monazite in the country. But monazite processing is an exclusive monopoly of the government of India. Because of this, the central government has set up a factory in the state. The royalty the state government receives in this regard is a pittance—1.5 percent of sales. Interestingly, during the colonial period, the Thiruvithamkoor government received a royalty of 7.5 percent from the British mining companies.

Most of the large enterprises have been attracted by Keralam's cheap hydro power, natural resources—forest wealth, china clay, minerals—and skilled manpower. About one tenth of the electric power consumed in the state goes to a single enterprise: an MNC subsidiary that runs an alumina works. On the other hand, the entire small/medium industrial sector—essentially in local hands—gets only about one fifteenth of the power consumed. The employment share of the large modern enterprises is marginal, and linkages within the region nil. These ventures do not cater to the needs of the people of Keralam. Besides, most of these enterprises play havoc with the environment. The massive profits earned by these undertakings do not find reinvestment within the state. Above all, their functioning is much against the interests of workers. Since these enterprises are owned by capitalists who own enterprises across the subcontinent, even the most militant struggles waged by workers in Keralam can be defeated. At the slightest pretext, the enterprises are closed down, temporarily or forever, with production continuing in enterprises outside the state.

Can Keralam (or, for that matter, any region) delink from the rationale of global capitalism without delinking from its structure? Such a possibility appears to be too far-fetched. Suppose Keralam seeks to launch an alternative path of industrialization, trying to process available raw materials within the state, and produce goods that essentially cater to Keralam's needs, like, for instance, an attempt to make use of the coconut oil fully within the state by setting up a chain of

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modern soap manufacturing units. Given the character of the all-India soap market, which is controlled by four or five multinational/pan-Indian titans, it is certain that Keralam industry could not succeed. Several attempts on these lines—not only soaps, but also other goods such as automobile tires—have been initiated by local capitalists as well as the state government, but invariably they have failed. And without delinking from the *structure* of global and pan-Indian capitalism, how can Keralam hope to curb the drain of surplus occurring through its large plantation and modern industrial sectors and the financial market?

What lies ahead for Keralam? It has become increasingly clear that degenerate parliamentary politics does not hold the key to Keralam's future. The powers that be in Keralam are the most ardent loyalists of Indian big-bourgeoisie and multinational capital—the very forces behind Keralam's underdevelopment. As regards the nonparliamentary political scene, mention was made earlier of the movements under the lead of radical women's organizations, militant workers' unions, and environment-protection groups which have played a significant role in carrying forward the democratization process in the state. Also, there are nonparliamentary communist groups like the Central Reorganization Committee, the CPI (Marxist-Leninist), and the CPI (Marxist-Leninist) Red Flag. Admittedly, many of these are small organizations with limited influence over the current political scenario of Keralam. Besides, they have to struggle against all odds raised by right-wing parties and the established left. But one thing is for sure. If Keralam has any future, the hope lies more in these "lilliputians" than in any others.

Afterward

It is not true that the Keralam story has been blacked out by the bourgeois media. On the contrary, international agencies like the United Nations, comprador researchers in India

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and in the third world in general, have never lost a chance to glorify the Keralam case and uphold it as a model for the entire third world. The message has been that contradiction with imperialism is a big myth, expropriation by the bourgeoisie a figment of the imagination, revolutionary transformation of society unnecessary.

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REPLY TO K.T. RAM MOHAN

by RICHARD W. FRANKE AND BARBARA H. CHASIN

K.T. Ram Mohan takes issue with several points in our article, "Kerala State, India: Radical Reform as Development" (MR, January 1991). Mohan contends that Kerala still suffers from being part of the capitalist world. We agree and never claimed otherwise. We did argue that Kerala lifted millions out of the misery and degradation of a feudal land system by abolishing tenancy. We argued that other reforms overcame some of the worst effects of poverty and underdevelopment through education, health care, food rationing, and lessening of caste discrimination. The facts to support our claims are in the tables and text of our essay; Mohan offers nothing to warrant altering our conclusions.

How radical was Kerala's land reform? Mohan correctly notes that the state government did not confiscate highland tea and rubber plantations. We believe that the left movement was correct in keeping these areas out of the land reform. Rice-producing tenant farmers or rice land farm laborers in the lowlands could not effectively be moved into mountain areas to take up smallholder production of crops with which they were not familiar, building houses miles away from where they were in line for house compound land rights,

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Richard W. Franke is Professor of Anthropology and Barbara H. Chasin is Professor of Sociology at Montclair State College, New Jersey. They are co-authors of *Kerala: Radical Reform as Development in an Indian State* (San Francisco: Institute for Food and Development Policy, 1989).

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and working in competition with existing skilled laborers and plantations.

Mohan's attack on the land reform also ignores the reforms enacted for landless laborers. True, most did not receive rice land—that went to the tenants who were nearly as poor. But many other programs for the landless have been put in place such as house compound land entitlement, minimum wages and working hours control, and pensions for aged agricultural laborers (see our essay). Mohan should not pretend that Kerala's Communist leaders and cadre acted irresponsibly by not finding land for everyone.

According to Mohan's analysis, Kerala's workers and peasants would be better off under colonialism or traditional princely rulers. He claims that improvements in health and other services resulted from "colonial transformation." This standard procolonial, right-wing argument does not stand up to the facts: in the years 1941 to 1950, Kerala's infant mortality rate averaged 153 per thousand. In 1987 the figure was 26 per thousand. What kind of "colonial transformation" do these statistics reveal? As we show in our essay, the real transformation in the life chances of Kerala's children resulted from the struggles of workers and peasants. These struggles also produced the food distribution system that Mohan falsely attributes to princely rulers.

Mohan is correct in stating that Kerala's people have not yet achieved the standard of living to which they are entitled. But his arrogant dismissal of the sacrifices and achievements of so many peasants and workers under the leadership of the CPM offers nothing but cynicism and failure for their future. Mohan denies that the CPM is a progressive party. He charges it with having a similar class composition and similar programs to other parties. His charge ignores the most important fact about Kerala's recent history: the CPM has led peasants and workers in successful struggles to better their lives. We hope these successful struggles will continue. They will continue to inspire and inform all of us outside Kerala who study the world in order to change it.

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LABOR-COMMUNITY COALITIONS: NOT ALL THEY'RE CRACKED UP TO BE

by KIM SCIPES

For social change activists involved with the labor movement, *Building Bridges* (Monthly Review Press, 1990) will provide hours of stimulating reading. Edited by Jeremy Brecher and Tim Costello, who also contributed three essays of their own, this book focuses on labor-community coalitions which are emerging in a growing number of areas within the United States. Brecher and Costello argue that the development of these coalitions is one strategy for substantive social change.

One of the many strengths of the book is that it sees labor's participation in these coalitions as both a result of, and a possible solution to, the crisis of the labor movement.

> Cooperation with other movements is proving to be an important means for renewing the labor movement and overcoming some of its widely recognized ills, such as isolation from the growing female and minority segments of the workforce, lack of rank-and-file participation, and public perception of organized labor as a special interest group rather than an advocate for the needs of all working people. (p. 10)

The book is divided into two parts. The first looks at specific coalitions which have engaged in labor struggles, campaigns for jobs and economic development, electoral

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coalitions, and mobilizations around particular social issues. The second critically analyzes the labor-community coalition phenomenon, and suggests a number of programs to further advance it.

Part I of *Building Bridges* reports on community support for the Pittston miners' strike, the P-9 strike against Hormel, and the Jobs with Justice campaign in Florida. A local union working with an immigrants' rights group in San Francisco, the community-labor alliance of New Haven, the Naugatuck Valley Project (Connecticut), the Tri-State Conference on Steel (the Pittsburgh-Youngstown-Morgantown area), and the Keep GM-Van Nuys Open Campaign (Los Angeles County) are examples of fights for jobs and economic development. Electoral work in Connecticut, Boston, and New Mexico is examined. And there are reports on social issue campaigns, including conversion of weapons plants to peaceful, socially useful products; the campaign against right-wing Supreme Court nominee Robert Bork; a decade of organizing women office workers; and a program to build greater cultural appreciation among Asians, African-Americans, and Latinos in New York City.

Each of these reports focuses on efforts by people in particular cities, regions, and states to join labor with various community-based social movements. At least since the late 1940s, unions have generally refused to ally with other social movements—labor feeling it had sufficient strength to take care of its needs and being unconcerned about others'—so that this growing involvement is a progressive change. And the first part of *Building Bridges* celebrates it.

But the second section, on perspectives and programs, is the more important part of the book. It examines the labor-community coalition phenomenon critically, to see what can be learned from it, to see if it is worth trying to generalize further, and to suggest perhaps how this can be done.

In the "perspectives" section, a number of critical evaluations are presented. Temma Kaplan specifically raises the

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need to challenge white racism and male sexism within these efforts. Kim Moody points out that labor's participation in these coalitions threatens the bureaucratic stranglehold that has gripped the labor movement over the last forty to fifty years. Louise Simmons discusses the different leadership and organizational models which are followed by labor and community movements, and the need to try to understand the other when working in coalition. John Brown Childs celebrates the diversity among the different groupings and focuses on the need to communicate among them. He also argues that each group needs a way to support others without feeling like it has to give up its own particular perspective.

The "program" section offers some possible ways forward. Brecher and Costello present their new program for labor. Staughton Lynd offers some ideas on how to make the concept of "economic democracy" real. Brecher, writing alone, examines an employee-owned company and, while noting many problems, suggests that the conflict which arose while trying to solve them indicates that something very positive is happening. Daniel Weisman, looking at why a progressive economic revitalization plan failed in Rhode Island, suggests that involvement of different movements' constituencies is critical for the success of any such plan. Mark Ritchie urges that farmer-labor coalitions be rebuilt and made even stronger than in the past. Carl Boggs sees the struggle to convert military production to peaceful production as more than just a simple reform effort. And Jill Nelson examines the "Jobs With Peace" movement, which tries to link local domestic concerns with foreign policy. All in all, a wide-ranging examination of where this labor-community approach could go.

Brecher and Costello offer a concluding essay in which they suggest that the development of labor-community coalitions is a strategy for radically challenging traditional power relationships within U.S. society.

> Labor-community coalitions can be a vehicle for making institutions responsible both to their own rank and file and to the needs of other groups, society as a whole, and the ... broader community ... And

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they reflect an understanding that the goals of particular groups must be integrated with those of other groups and society at large. (p. 341)

In short, this is a serious effort which gives a good overview of the range and extent to which these coalitions have been developed to date.

The emergence of these coalitions is a progressive development, as is any effort which brings people together to challenge their oppression. But, having participated for six and a half years as a rank-and-file activist in one labor-community coalition (the Oakland-based Plant Closures Project), I am extremely skeptical of the ability of these coalitions to challenge traditional power relationships in U.S. society, or even in the U.S. labor movement. I think any strategy primarily based on labor-community coalitions as they have developed to date is doomed to failure.

There are six major weaknesses that I see in a labor-community coalition strategy as suggested by Brecher and Costello. The main problem with these coalitions is that they accept labor's participation on the basis of labor's traditional organizational structure and ideology. Other problems, discussed below, are listed in no particular order.

(1) Labor's Traditional Structure and Ideology

Local unions are structured hierarchically, with power emanating from the top. They are also bureaucracies. With few exceptions, those who capture the top position remove themselves from the point of production—whether factory, field or department store—and become full-time officials. Once a union leader removes him or herself from the point of production, that leader becomes a bureaucrat, running a bureaucratized organization, whose primary purpose is to continue him or herself in that position of power. That does not necessarily make that person good or bad, but it does mean that the leader's interests are usually different from those of the rank and file. And that separation of interests

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means that a labor leader's position is usually quite suspect until confirmed by active participation by rank-and-file members.

Brecher and Costello never look at the internal situation of local unions or the separation of interests between leaders and the rank and file—they assume that participation in a labor-community coalition by labor leaders means that they have the support of the union's members. That may or may not be true, depending on the situation—it's more likely true when the union is on strike and needs all the community support it can get; less so when community demands outside the workplace are at issue.

Because Brecher and Costello do not recognize this problem, a key aspect of their strategy is flawed. Most coalitions are in reality coalitions of *activists* from labor and community-based organizations, and not coalitions of labor and community *organizations.* This limits the range of their activities from the start. And it also means that a coalition's power is limited.

In my experience, labor leaders get involved in labor-community coalitions on more than a verbal level only when they are in a jam and need someone to pull their chestnuts out of the fire. And these are the progressives I'm talking about—not the conservatives or reactionaries! (The Alameda County Central Labor Council, with which the Plant Closures Project works most closely, is one of the most progressive labor councils in the country.) And when they do get involved, labor leaders want to control the situation to the greatest extent possible—they may be willing to accept democratic decision-making within the coalition as long as it doesn't seriously impinge on their possible range of actions, but my experiences are that they will never allow the coalition to have full, unimpeded access to their members. Working with a range of unions—teamsters, molders, office workers, electrical workers, service employees, etc.—I have never seen a union's mailing list, even when our coalition was working hard to save their members' jobs. In other words, when a local union gets

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involved in a coalition, it participates only to a limited extent and on its own terms.

Ideologically, labor leaders do not challenge the concepts of capitalism or growth, because growth provides more jobs. More jobs means the possibility of more members—or of not losing current ones. But if jobs are the key issue, then everything gets subordinated to this issue; and should any power bloc being confronted by a coalition successfully manipulate this "jobs" issue, then there is either a split between the labor and community forces—which almost always ensures defeat—or the community-based organizations must subordinate their goals and desires to those of labor. This often means that while short-term victories become possible, larger issues get ignored.

Without addressing the larger issues—such as what we as a society need to produce, how we can produce it with minimal environmental impact, how we should organize this production, and how we can distribute its products most equitably—labor-community coalitions concede debates around socioeconomic development goals and strategies to capital and the state. At the same time, these coalitions limit themselves to engaging in militant reform struggles which, while sometimes limiting the impact of capital and the state, tend to burn out participants over time, often leaving people feeling even less powerful than when they entered coalition work.

Although Brecher and Costello ignore the problem of growth in their writings, one of the essays they include in the book—"Economic Conversion as a Radical Strategy: Where Social Movements and Labor Meet" by Carl Boggs—specifically addresses this issue. Boggs argues that

> Viewed in conventional terms, economic conversion refers to the transition from a militarized economy that is designed to mobilize vast amounts of resources for purposes of "defense" or "national security" toward a system of production more attuned to social needs: education, health care, housing, public transportation, and so forth. Reform efforts, both in the United States and Western Europe, have typically conceived of this strategy as a substantial

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transfer of resources from one sector of the economy to other sectors, generally as part of a last-ditch attempt to save jobs where military-related firms were struggling for survival. *Conversion was rarely understood as an integral process within a larger scheme of social transformation.* Viewed from a more radical perspective, conversion takes on an entirely new meaning, something more than just another Keynesian plan for reconsolidating capitalism. This approach, initially developed by the West German Greens in the early 1980s, differs from the liberal-reform model insofar as it links conversion to broad social goals (e.g., feminism, ecological renewal, grassroots democracy), and inevitably, to an overturning of the corporate-military power structure with its inbred drive toward profits, rampant growth, and destruction. Here the break with the Democratic Party politics (in the United States) and social democracy (in Western Europe) could hardly be more dramatic. As the capitalist distortions of modernity accrue with each passing year, the relationship between the economy and nature, between material forces and the environment, becomes more interwoven—and more problematic. The result is that genuine transformative initiatives will have to be carried out if perilous forms of industrialization are to be blocked. *A radical-democratic strategy, therefore, suggests nothing less than a complete reversal of the logic of state-capitalist accumulation.* (Emphasis added.) (pp. 302-303)

Nowhere in their writings do Brecher and Costello address these issues.

It seems quite clear to me that as long as labor participates in these coalitions based on its traditional structure and ideology, these coalitions are, in reality, only labor *support* coalitions, and not coalitions based on an equality which can challenge power relations in the society. To be part of a genuine coalitional effort, labor would have to be willing to use its power, its ability to stop production, to support community organizations, not just to take their support.

2) Labor: Just Another Interest Group

Another problem of these coalitions is that labor's role in them, even when it is playing a good role, is nothing more

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than that of a group of concerned people. Yes, it can call on its allies, such as elected officials, to endorse the campaign, or even offer a bill in the state or national legislature, but that does not distinguish it from community groups.

A labor union—or any organization of workers—has something no other social group has: the ability to stop operations from inside the production-distribution-exchange process. The impact of that unique ability depends largely upon the location of those workers in the economy, but that capability is something which no other grouping has. Reducing labor's role to providing leaders and activists for meetings, or even for standing on another union's picket line, fails to utilize its power.

The key to workers' involvement in labor-community coalitions is getting workers to use their "muscle" to stop economic operations in support of community struggles. In other words, when workers agree to stop production, they become a social force; until then, they are just another interest group. And as such, they are no more important than any other interest group.

This is not to suggest that there are all these class conscious workers straining at the bit, waiting for the word to launch the class struggle at the point of production which will automatically lead the entire society to the nirvana of socialism. Not at all. Class consciousness does not exist naturally but can only be developed out of struggle by people who identify themselves as workers (at least at the workplace).[1]

But building class consciousness through struggle is not sufficient. As Paolo Freire recognized, consciousness must be further developed through an educational process that is designed to remove the oppressor from oneself. Workers, like all other members of our society, have been conditioned to accept domination from parents, teachers, bosses, and others. To the extent that this domination has been internalized, it needs to be countered by an educational process that can overcome this self-restriction.

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Along with that, workers should be encouraged to join together to think and talk about what kind of society they want. Of course, these discussions must be democratic and not imposed from above. Workers are practical, but they have their ability to dream, to envision different ways of doing things. Dreaming a future which can be made real within the confines of the world—particularly within environmental/ecological constraints—is something in which activists can assist them.

But during this consciousness-development process, ties need to be built on an organizational basis between workers and members of various community organizations. Solidarity relations must be built. Workers have to learn that only by working together can all benefit; community organizations must tell workers that while they are willing to support workers' progressive struggles, this support will only be there as long as workers are willing to use their collective muscle to stop economic operations in support of community efforts. And community organizations must strengthen their own efforts to be effective allies for workers who join them on this higher level of unity.

(3) Workers Are Not Inherently Progressive

Brecher and Costello seem to assume that just because workers want something makes it right. Workers are no more or no less progressive than anyone else. Becoming a worker does not elevate one to sainthood. Workers need to participate in an educational process by which they can think and be challenged about the future they want; we cannot assume that what they want today is something which all progressives are willing to fight for.

For example, I am unwilling to fight against the closing of a toxic chemical plant, a military base, or a nuclear power plant because it will cost some people their jobs. I want all of those operations closed, although I would rather they be converted to socially useful production whenever possible

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instead of being shut down. I am, however, willing to fight for retraining, extended unemployment benefits, and similar support for workers who are losing their jobs.

But workers must decide their own course of action: if working in an oppressive situation, will they choose to just fight for their own well-being (narrowly defined) or will they struggle against this oppression, such as for conversion of "their" oppressive employment situation? Should they choose the latter course, then searching for allies becomes a key priority for them. It is at that point in time that the issue of worker-community *solidarity* becomes crucial.

(4) Relationship with Traditional Labor Movement

Brecher and Costello are unclear about another issue, namely the relationship of workers and local unions to the traditional labor movement. They note in their own writings, as well as by including Peter Rachleff's account of the P-9 strike against Hormel in the book, that much of the national and international-level union leadership and labor organizations are bureaucratic, hierarchical, and antidemocratic. In short, most traditional labor organizations oppose rank and file participation in any movement which the leaders cannot directly control. Additionally, the traditional labor movement has lost so much respect that less than 17 percent of the nonagricultural work force belongs to unions.

What is the Brecher-Costello response to these issues? It is mixed, to say the least. They include an article by farm activist Mark Ritchie which argues for the need of ongoing coalition work by farmers' groups and the AFL-CIO. But besides that, they are silent. There is no specific condemnation of the AFL-CIO. (And nowhere do Brecher and Costello condemn the AFL-CIO for their international operations, which are much worse.)[2] There are no ideas as to when activists should work to reform specific AFL-CIO unions, and when they should consider leaving the traditional labor movement to begin building a new type of labor movement that

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shares Brecher and Costello's values. Brecher and Costello do not even consider the possibility of building a new type of labor movement.[3] In short, despite the limitations, they suggest that activists should soldier on within the dying institution of the traditional labor movement.

(5) The Changing Global Economy and Its Effects on U.S. Workers

Brecher and Costello correctly note the economy is changing, that it is being affected by forces external and internal, but this has minimal impact on their thinking. It is implicit in this book that things will continue on pretty much as they are today. I think this is wrong and dangerous.

The global economy is forcing changes on the United States, and the battle we face—along with progressives throughout the world—is how to make these changes serve the needs of the overwhelming majority of people in the United States and around the world. Ignoring these changes only disempowers us and weakens our efforts.

(6) Labor-community coalitions and the state

The state is not even touched upon in *Building Bridges*, other than obliquely in their reports of electoral coalitions running progressive candidates for state and local offices.

The question which must be squarely faced is, what are we organizing for? What is our vision of a new society, and how will we get the power to birth it? Are we trying (ultimately) to seize state power, are we trying to neutralize the repressive apparatus of the state and control the bureaucracy from the grass roots, or what? And while I don't think our sole focus should be on the state, I do think it is one issue we must face. To suggest a long-term strategy that ignores these issues is, in my opinion, extremely short sighted.

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Conclusion

Brecher and Costello's strategy of labor-community coalitions is only one part of the picture—and it is very limited. I think their assumption of unity within local unions is false, and a strategy based upon it is seriously, if not critically, flawed. Without confronting the problems of workers' self-organization at the point of production-distribution-exchange, their analysis is social democratic and unable to confront the subjugation of people in our society and around the world. (At the same time, any analysis which *only* focuses on workers' struggles at the point of production is anarcho-syndicalist and, while preferable in my view, is unable to achieve necessary structural changes required in our society.)

As I see it, *the* issue for workplace activists is how to build organizations at the point of production—separately when necessary but jointly when possible—that will fight domination by capital and the state in support of both workers' specific issues and those of their allies. This must apply not only to beating back attacks by enemies but, even more importantly, developing and fighting for a vision which affirms people's humanity and the centrality of the environment.

But despite my criticisms, I do believe there is an important role for these labor-community coalitions to play: I think they do excellent work in "building bridges" between labor and community activists. Their activities support the concept that working people are important and must be included in all efforts to change our society. And their struggles contribute to building a culture of resistance to capital and the state, while also encouraging people to ally with other groups to envision a new society towards which all can act. These are important contributions. But, I think an error is made when these contributions are magnified into the centerpiece of a social change strategy; they just can't hold the weight.

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NOTES

1. For development of this argument, see Rick Fantasia, *Cultures of Solidarity* (Berkeley and Los Angeles:University of California Press, 1988). For a review of Fantasia, see Kim Scipes, "Review of *Cultures of Solidarity*," *Z Magazine*, April 1990, pp. 73-74. For a look at the issue of workers' self-identity and its effect on politicalization, see Kim Scipes, "Organizing Nonhierarchical, Egalitarian Workplace Organizations," *Workers' Democracy* 29 (1988): 7-10; and "Uniting Workplace Oriented Activists: Local Alliances and a National Network," *Workers' Democracy* 32 (Summer-Fall 1989): 8-17.

2. For an examination of the AFL-CIO's foreign policy, see Kim Scipes, "Trade Union Imperialism in the U.S. Yesterday: Business Unionism, Samuel Gompers and the AFL Foreign Policy," *Newsletter of International Labour Studies* 40-41 (January-April 1989): 4-20.

3. See Norm Diamond, "The 1990 Conference on Workers' Self-Organization: Building a New American Labor Movement," *Workers' Democracy* 36 (September-October 1990): 8-10, for a report on a conference by labor activists specifically discussing this issue. At that conference, Staughton Lynd gave a speech in which he stated, "... the time has come to break with the forms of labor organization of the existing labor movement ... " See a reprint of his May 4, 1990 speech, "Rebuilding the Labor Movement from Below," *Workers' Democracy* 36: 13-23.

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REPLY TO KIM SCIPES

by JEREMY BRECHER AND TIM COSTELLO

Our purpose in editing *Building Bridges* was to stimulate a dialogue; we thank Kim Scipes for continuing that dialogue. We deliberately included contributors with a range of attitudes toward the questions that Scipes raises, including some very close to Scipes' own views; Scipes' criticisms, however, are rightly directed at our own approach, and it is to them we will reply.

But in trying to respond, we find ourselves puzzled. We can hardly recognize ourselves, or what we have written, in Kim Scipes' description. In this reply, we will try simultaneously to correct misimpressions about our views and to convey what we actually believe.

Regarding our view of the labor movement, Kim Scipes writes: "There is no specific condemnation of the AFL-CIO."

We write: "The AFL-CIO was willing to maintain paper coalitions with civil rights, environmental, and other groups—as long as it remained the dominant partner and could restrain these groups from militant action or efforts at major social change" (p. 199).

Scipes writes: "Nowhere do Brecher and Costello condemn the AFL-CIO for their international operations."

Jeremy Brecher is a community-based historian in Connecticut. Tim Costello, previously a truck driver and workplace activist, is a representative for Service Employees' International Union in Massachusetts.

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We write: "The AFL-CIO enthusiastically supported and continues to support the expansion of America's worldwide economic, military, and political hegemony" (p. 199). We also note that the American labor movement "supported expanding military spending and U.S. intervention in Korea, Vietnam, Central America, and elsewhere. It directly encouraged foreign labor movements that were tools of repressive governments—as long as they were anticommunist" (p. 253).

Regarding the objectives of social change, Scipes writes: "Brecher and Costello ignore the problem of growth in their writings."

We write: "The potential destruction of the ecosphere has impugned the goal of unlimited industrial growth" (p. 248).

Scipes writes: "Brecher and Costello seem to assume that just because workers want something makes it right ... I am unwilling to fight against the closing of a toxic chemical plant, a military base, or a nuclear power plant because it will cost some people their jobs."

We write:

> One of the vicious effects of the "separation of labor" [a term we borrowed from the Wobblies to describe narrow trade unionism] has been its separation of worker-as-worker from worker-as-citizen, as human being, as member of the human family and resident of the global ecosphere. Allegedly in the interest of jobs for workers, unions have lobbied for weapons systems that make war more likely and for nuclear reactors that threaten to make workers glow ... Only a labor movement that allows for the full humanity of working people will be able—or deserve—to grow. (p. 202)

Scipes writes: "The state is not even touched upon in *Building Bridges* ... Are we trying (ultimately) to seize state power, are we trying to neutralize the repressive apparatus of the state and control the bureaucracy from the grassroots, or what?"

We write,

> Nation-states need to be radically decentralized with greatly increased power for local communities and regions to shape their own

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lives; at the same time, their predatory sovereignty needs to be restricted by far stronger international law and regulation, particularly to eliminate their military means of destruction. (p. 342)

Regarding the context of contemporary social movements, Kim Scipes writes: "Brecher and Costello correctly note the economy is changing, that it is being affected by forces external and internal, but this has minimal impact on their thinking. It is implicit in this book that things will continue on pretty much as they are today."

On the contrary, our entire approach grows out of our analysis of the tremendous economic and other changes the world is going through. We write:

For the labor movement, a modus vivendi worked out with business over forty years was shattered; the globalization and fragmentation of power reduced the effectiveness of strikes and other conventional economic weapons as well ... As conventional collective bargaining techniques failed to resist concessions demanded by corporations, unionists began to find support for workplace struggles from community allies. (p. 330)

We further write:

Our basic problems—economy, environment, security—cannot be solved at a purely national level; all require a global response. Yet our institutions for addressing them are at present primarily national. We must create transnational solutions for problems that transcend national borders. (p. 248)*

We doubt that these puzzling divergences between what we have written and the views Kim Scipes attributes to us are the result of either negligence or willful distortion. We suspect they result instead from a way of thinking in which unions, labor leaders, and workers are fixed entities with characteristics

*For an expanded discussion of labor and internationalism, see our *Global Village vs. Global Pillage: A One-World Strategy for Labor*, published in 1991 by the International Labor Rights Education and Research Fund, Box 74, 100 Maryland Avenue, N.E., Washington, D.C. 20002.

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that can be known once and for all. (This is akin to what in old Marxist diatribes might have been denounced as "essentialism.") Scipes repeatedly presents social phenomena as if they possessed an essence that transcends time, place, and specific historical context. Thus, "Local unions are structured hierarchically, with power emanating from the top;" "Ideologically, labor leaders do not challenge the concepts of capitalism or growth, because growth provides more jobs;" "Workers are practical, but they have their ability to dream, to envision different ways of doing things."

These are gigantic, unsupported, and unqualified assertions, claiming a stupendous—or perhaps stupefying—knowledge about the incumbents of such categories as local unions, union officials, and workers. Such timeless, ahistorical, decontextualized propositions forestall the necessity or possibility of any change in the essences described. We know what local unions, union leaders, and workers are—and what they forever will be.

For those who already know what unions, union leaders, and workers are, our argument must indeed be difficult to take in—because it is based on the observation that the working class and its institutions as they have been known in the United States for the past half-century are already ceasing to exist. Based on a concrete analysis of recent failures of the AFL-CIO to impose its will on formerly subordinate parts of the labor movement, we wrote:

> While conservative hierarchs continue to control organized labor at the top, their power to perpetuate the movement's petrified structure and strategy has sharply declined. In the space opened up by their declining power, grassroots activists are developing effective alternatives to longstanding labor practices. (p. 195)

In *Building Bridges*, we argue that, to varying degrees, community-labor alliances in fact reflect a break with what Scipes calls "labor's traditional structure and ideology." The impulse toward labor-community alliances, we write,

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moves from a concept of "labor" as an exclusive group toward one which includes all working people, unionized or not, at work and in the rest of their lives. It moves toward decentralization of the labor movement and away from its control by a national bureaucracy ... It begins to redefine union locals not simply as units of a national union, but equally as expressions within the workplace of goals shared by the entire community of working people, locally, regionally, nationally, and internationally. (p. 201)

In short, our contention (for which a couple of hundred pages of the book are intended to provide evidence) is that labor-community coalitions are in fact part of a process which is transforming "labor's traditional structure and ideology." This process is meeting opposition from many entrenched officials, but the evidence suggests that their power to arrest it is less terrifying than pitiful. The long-term outcome is difficult to predict—except perhaps for those who already know the essence of unions, union leaders, and workers.

When the breakdown of entrenched power in the labor movement is not recognized, critics of established union practices seem to face a simple choice of either trying to assault and conquer the commanding heights of the existing union institutions or of starting a new labor movement outside of them. We included advocates of both these approaches in *Building Bridges.*

The strategy we propose differs from both of these—but is grounded in the developing practice of thousands of grassroots activists. Far from suggesting that "activists should soldier on within the dying institution of the traditional labor movement," we argue that they should actively reach out to activists in other movements (and indeed around the world) to create new formations which transcend the established labor movement.

We aim to bury "labor's traditional structure and ideology," not to praise it.

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MONOPOLY CAPITAL AFTER TWENTY-FIVE YEARS

by PAUL M. SWEEZY

Monopoly Capital by the late Paul Baran and myself was published twenty-five years ago this year, and on the whole I think it holds up pretty well when judged in the light of all the developments and changes that have taken place in this eventful quarter century. As a basis for what follows, let me sketch in barest outline the argument of the book.

The monopoly capitalist economy is dominated by a relative handful of giant corporations that had their origins in the late nineteenth and early twentieth centuries and by the end of the Second World War had attained a certain form and structure common to most of them. They had achieved financial independence of the financiers and promoters who led them through their early years of growth. In most industries they behaved as rational oligopolists, eschewing price competition and vying with rivals through cost-cutting technologies, product innovation, and advertising. The result was a tendency of profitability to rise, generating what we called a problem of surplus absorption. Following the pioneering work of Kalecki and Steindl, we argued that an economy so structured has a strong and persistent tendency to stagnation which can be counteracted only by forces that are not part of the internal logic of the economy itself and hence fall outside the scope of mainstream economics from which historical, political, and sociological considerations are carefully ex-

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cluded. In contrast, well over two thirds of *Monopoly Capital* is devoted to analyzing these forces and their interaction with economic laws and tendencies narrowly interpreted. The titles of the last seven (of a total of eleven) chapters convey a sense of the extent to which the book deviates from the confines of economics as usually conceived and taught in U.S. institutions of higher learning: The Sales Effort, Civilian Government, Militarism and Imperialism, On the History of Monopoly Capitalism, and the Irrational System. These chapter titles can also serve to identify, at least in a general way, the forces Baran and I then considered to be operative in opposing the system's powerful tendency to stagnation.

As I look back on this basic plan of the book and compare it with the situation in which we find ourselves today, I conclude that for the most part there is a reasonably good fit between analysis and reality. But there is one glaring discrepancy which is not even hinted at, let alone explained, in *Monopoly Capital.* This is the burgeoning in precisely these last twenty-five years of a vastly expanded and increasingly complex financial sector in both the United States and the global capitalist economies. And this development in turn has reacted back in important ways on the structure and functioning of the corporation-dominated "real" economy.*

In our analysis of the giant corporation (Chapter 2), Baran and I posited a community of oligopolies each under the effective control of its management, which in normal circumstances enjoys a secure tenure and is therefore able both to make long-run plans and to insure that like-minded successors will be around to carry them out. In this connection we quoted with approval a remark of Galbraith's in his 1952 book *American Capitalism* (p. 39): "[T]he present generation of Americans, if it survives, will buy its steel, copper, brass,

*In counterposing "financial" (or "monetary") with "real," I am using terminology that has a long history and can be assumed to be intelligible to readers with some knowledge of the literature of economics. But there is of course no implication that any sector of an actually existing economy is more (or less) real in the everyday meaning of the word than any other.

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automobiles, tires, shortening, soap, breakfast food, bacon, cigarettes, whiskey, cash registers, and caskets from one or another of firms that now supply these staples. As a moment's reflection will establish, there hasn't been much change in the firms supplying these products for several generations."

This is a picture of a corporate community with a long planning horizon and a high degree of stability over time. And as of the late 50s and early 60s when *Monopoly Capital* was written, there seemed to be no reason to expect significant changes any time soon.

It wasn't long, however, before a different scenario began to unfold, culminating in the merger and leveraged buyout mania of the 1980s. Almost overnight, it seemed, huge pools of liquid capital accumulated under the leadership of resourceful and innovative financial entrepreneurs. These people had no experience and little interest in production; their objective was to make as much money as possible and to reinvest their (and their clients') winnings in making still more money. In pursuit of this end, they bought "paper" assets (as well as real estate, art objects, etc.) with the intention—generally realized in an inflationary period such as prevailed in the post-Second World War decades—of selling them later at higher prices. But in due course this new breed of financial entrepreneurs discovered that by amassing sufficiently large quantities of liquid capital, they could buy up controlling interests in even very large corporations by means of special deals with large stockholders and attractive tender offers to the rest, the purpose not being simply to take the place of existing managements but to be in a position to loot the acquired companies in one or more of the ways made familiar (and legal) in the course of the long and tangled history of corporate finance.

Of course only a small minority of large corporations were actually subjected to buyouts of this type, but the impact has been far more pervasive. Many, including some of the very biggest, were vulnerable to attempted takeovers, and managements that felt threatened—or even that they might be threat-

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ened—naturally took steps to protect themselves. And this often meant doing what the buyout artists would do if they got the chance. Thus, for example, a conservatively managed company accustomed to long-term planning and the holding of large cash reserves against future opportunities or emergencies might well consider it necessary to shorten its planning horizon and dissipate its accumulated cash in order to make itself a less attractive take-over target. To put the point another way, the generalized threat of financial buyout tends to force managements socialized into an earlier corporate culture to take on the coloration of speculative finance. To the extent that this occurs, it calls into question the corporate paradigm Baran and I had treated as a built-in feature of monopoly capitalism.

Nor is this the only way the financial explosion of the 1970s and 80s affected the functioning of the system. The history of capitalism has been punctuated by recurring speculative booms. As a rule, however, these occurred in the expansion phase of the business cycle, were of relatively short duration, and had no lasting structural effects on the economy. In contrast, this latest episode developed *after* the long post-Second World War expansion had played itself out; it has lasted some two decades now; and it has brought about a marked and seemingly permanent change in the structure of capitalist economies.

This last point is the one that needs special emphasis in the present context. The financial explosion in question has several dimensions: the number and variety of markets involved (including some, like stock futures and options, of fairly recent origin, and others like government securities and foreign exchange traditionally tied to routine commodity and fiscal transactions); the dramatic expansion of activity in these markets; the absolute and relative growth in employment in financial occupations; and the increase in the share of finance in GNP. Along these dimensions the relative size of the financial sector has grown enormously in the last two decades.

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Another and in some ways more telling indication of the growing importance of finance in the economy as a whole is provided by analysis of investment in plant and equipment during the cyclical upswing of the 1980s. By historical standards, the recovery of the early 80s was far from vigorous, and as is well known a considerable part of it was powered by an unprecedented peacetime expansion of the military budget. What is less well known is that the composition of the private sector's contribution was quite untypical. Activity in traditional areas of strong investment in plant and equipment (manufacturing, transportation, public utilities) rose hardly at all in the recovery, while areas that encompass finance, real estate, and commerce experienced dramatic increases.*

Not all of this of course was attributable to finance, but no knowledgeable observer of the business scene during those years would be likely to deny that the role of finance (as investors in computers, business machines, information equipment, office buildings, etc.) was both substantial and relatively much greater than in earlier cyclical recoveries.

Why did *Monopoly Capital* fail to anticipate the changes in the structure and functioning of the system that have taken place in the last twenty-five years? Basically, I think the answer is that its conceptualization of the capital accumulation process is one-sided and incomplete. In the established tradition of both mainstream and Marxian economics, we treated capital accumulation as being essentially a matter of adding to the stock of existing capital goods. But in reality this is only one aspect of the process. Accumulation is also a matter of adding to the stock of financial assets. The two aspects are of course interrelated, but the nature of this interrelation is problematic to say the least. The traditional way of handling the problem has been in effect to assume it away: for example, buying stocks and bonds (two of the simpler forms of financial assets) is assumed to be merely an indirect way of buying real

*See "The Strange Recovery of 1983-84," *Monthly Review*, October 1986.

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capital goods. This is hardly ever true, and it can be totally misleading.

This is not the place to try to point the way to a more satisfactory conceptualization of the capital accumulation process. It is at best an extremely complicated and difficult problem, and I am frank to say that I have no clues to its solution. But I can say with some confidence that achieving a better understanding of the monopoly capitalist society of today will be possible only on the basis of a more adequate theory of capital accumulation, with special emphasis on the interaction of its real and financial aspects, than we now possess.

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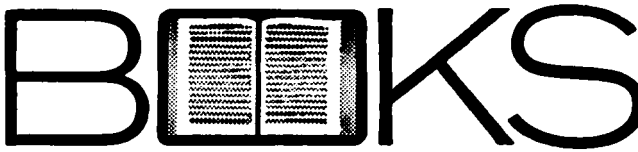

Recovering American Socialism

by Christopher Phelps

The Lost First Edition of Upton Sinclair's The Jungle, edited by Gene DeGruson. Memphis: St. Lukes Press, 1988. 349 pp. $21.95.

"Yours for the Revolution": The Appeal to Reason, 1895-1922, edited by John Graham. Lincoln: University of Nebraska, 1990. 575 pp. $19.95.

Garbage workers, while rarely respected for their literary or historical taste, should perhaps be consulted more often. In the early 1940s, when the Socialist Party had to move its office to smaller quarters, its staff called in a wastepaper dealer to dispose of the voluminous papers that the new space couldn't accommodate. Fortunately, the dealer recognized that the records were worth more than the paper they were printed on and sold them to a secondhand book dealer specializing in the history of radicalism. In turn, the bookseller sold the papers to Duke University, which now maintains an impressive collection of over 95,000 Socialist Party items: correspondence, membership records, financial reports, press releases, photos, and meeting transcripts.

Socialist history was again saved from the scrap heap in the summer of 1980, when a young man drove up to Pittsburgh State University in Pittsburgh, Kansas, with a small truckload of rotting, mildewed paper. He had been hired to clean the cellar of a nearby farm, and when he saw the name Upton Sinclair on several pieces of correspondence, he thought maybe the pile should go to the local university instead of the county dump. After having been dried,

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brushed, and mounted, the fetid mass yielded over one thousand records, memos, and letters from the *Appeal to Reason*, the most widely circulated socialist paper in American history. Among the papers was an exchange between Upton Sinclair and the *Appeal*'s editors, who proposed that he write a book on the conditions of industrial workers in Chicago.

That put Gene DeGruson, curator of special collections at Pittsburgh State University, on the trail of the original edition of Upton Sinclair's *The Jungle*, which first appeared between 1904 and 1905 in the *Appeal to Reason*. *The Jungle* is still taught in high schools because of its graphic illustrations of the horrors of the industrial revolution—such as the occasional worker who falls into a steaming vat and emerges in America's kitchens as Anderson's Pure Leaf Lard. But DeGruson's research demonstrates that the version of *The Jungle* familiar to us is a dramatic departure from Sinclair's original work.

Because of the previous inaccessibility of publishing records, scholars had assumed that the serial form had not been different—merely unfinished. However, the reconstructed *Appeal* records reveal that complicated negotiations took place among Sinclair, the editors of the *Appeal*, and several publishing houses over the book, resulting in its gutting. After the novel's publication in the *Appeal to Reason*, Sinclair hoped to publish *The Jungle* independently, with money contributed by Socialist readers around the country. But Fred Warren, editor of the *Appeal*, convinced him that the only way to get paid reasonably and get the book before the reading public was to find a commercial publisher, leading Sinclair to seek out Doubleday, Page and Company.

The union of Sinclair and Doubleday, as with other marriages of necessity, was unhappy. Despite Sinclair's wish to see the book printed as he had written it, Doubleday mandated heavy editing. Many small passages and entire pages were cut, shortening the manuscript by almost a third. Lithuanian phrases were eliminated, watering down the text's ethnic flavor. Alliterated names for Chicago's big packing houses—Anderson for Armour, Smith for Swift, Morton for Morris—became a bland Durham, Brown, and Jones. Most important, whole passages about socialism and the Socialist Party were struck. A number of partisan references to perennial Socialist presidential candidate Eugene Debs, including the following, disappeared:

He spoke the language of the workingmen—he pointed them the way. He showed the two political parties "two wings of the same bird of prey!" The people were allowed to choose between their candi-

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dates, and both of them were controlled, and all their nominations dictated, by the same power. The people attended political meetings of either party, and the hall was paid for, and the speakers were hired, out of the same purse.

The editorial axe fell on a hilarious passage in which a befuddled Democrat was booed by a rowdy, spirited crowd of workers, as well as on condemnations of the Press Trust, linkages of prostitution to capitalism, and derogatory comments about big business. From a purely literary standpoint, the most significant set of truncations was the compression of the original edition's multiple allusions to Packingtown as a "jungle" into a single phrase. Since the residual sentence conveys merely the dangers of animal passion, the book's central metaphor in the Doubleday version of *The Jungle* seems to refer to primitive sexuality rather than capitalist barbarism.

In spite of such butchery, the novel became a bestseller. Perhaps because of such butchery, it became an inspiration for liberal reform, directly influencing President Theodore Roosevelt and other Progressives to push for food inspection. Ironically, what Upton Sinclair had intended as a call for workers' democracy and socialism became instead a stomach-turning impetus for the self-regulation of industrial excesses within the political framework of the capitalist state.

The expurgations wrung from *The Jungle* to suit the tastes of a capitalist publishing house are a case study in the essential role served by the *Appeal to Reason* as a venue for unapologetic, undiluted socialism. In the first two decades of this century, the *Appeal* was a creative hothouse for socialist literature and art, of which *The Jungle* is only the most famous example. A generous selection may be found in *"Yours for the Revolution,"* a beautifully produced anthology of cartoons, essays, muckraking, letters, poems, and short stories culled from across the *Appeal*'s twenty-seven years.

The influence of the *Appeal* is almost unimaginable today. In 1913, when the U.S. population was half what it is now, the *Appeal* peaked at a regular circulation of 760,000. On occasion it printed more than 3 million copies of its special editions. For all practical purposes, the *Appeal* was the national paper of the Socialist Party, even though the party had adopted a clause in its constitution prohibiting an official paper. The *Appeal*'s formal independence gave it the advantage of being able to remain aloof from factional disputes within the party, combining admiration for the party's conservative Milwaukee reformers with writings by the party's revolutionary left, including Eugene Debs.

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The *Appeal to Reason* was the creation of J.A. Wayland, a gifted publisher. Except for a few months at the paper's outset—when Wayland lived in Missouri and then Kansas City, Kansas—the home of the *Appeal* was Girard, Kansas. In the late 1890s, when the *Appeal* settled there, Girard had the advantages of low rent and a relative hospitality stemming from its populist heritage; much of the rest of the nation was experiencing a wave of jingoism due to the Spanish-American War. The *Appeal* grew to a 100,000 circulation with its support of Eugene Debs's campaign in the 1900 elections as a Social Democrat, but it was with the founding of the Socialist Party in 1901 that the *Appeal* began its truly meteoric ascent.

Editor Fred Warren had joined the paper in 1900, and the collaboration of Wayland and Warren quickly turned the *Appeal* into more than a paper. The *Appeal* sent out its own socialist organizers, sponsored study clubs, supplied literature, set up a speakers' bureau, printed special editions for Socialist Party groups in fifteen states, and developed a knack for promotion that would make a capitalist blush. By 1913, the *Appeal* had a salesmen army of 80,000 activists spread out across the country, selling subscriptions and distributing extra copies at public meetings, barbershops, and union halls, on trains and street corners. To its most successful sales representative, the *Appeal* offered premiums—a boat was the prize in one lavish contest. With roses came thorns, however. The *Appeal* carried notices of its agitators' tribulations, such as those of the West Virginia coal miner who was discovered trying to sell the *Appeal*, promptly fired, and run out of town.

"Yours for the Revolution"—its title taken from the way Jack London and other Socialists signed their letters—conveys well the paper's fresh, straightforward, and creative approach. The *Appeal* carried articles by Helen Keller, who like Sinclair and London is not often remembered today for her socialist convictions, and attracted Eugene Debs to its staff. The *Appeal* depicted capitalism's inhumanity in a plausible, frequently moving manner; for example, the paper published the entire diary of a jobless San Francisco worker who died from starvation. On the other hand, the *Appeal* also maintained a sense of humor. Capitalism's follies were parodied in comics and witty anecdotes aiming to elicit socialist commitment.

While thus reflective of a confident, optimistic period in American socialism, the *Appeal* was not naive and simple, characteristics that some have attributed to the prewar Socialist Party. *"Yours for the Revolution"* reveals that the *Appeal*—though oblivious to the travesties of Stalinism, sectarianism, and marginality that would afflict later

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American socialism—had its own tragedies to understand, such as the 1912 suicide of J.A. Wayland, who left a note of despair: "The struggle under the competitive system is not worth the effort; let it pass."

In 1913, shortly after Wayland's death, both Debs and Warren left the paper's staff. Unfortunately, the new management did not live up to the *Appeal*'s masthead slogan, "When the *Appeal* suspends it will be when capitalism ends." The paper foundered on the reef of the First World War. Until 1917, even after the United States had entered the conflict, the *Appeal* consistently opposed the war, explaining it as the result of capitalist expansion and militarism. With the Espionage Act, however, the editors saw their June 30, 1917, issue refused postage by the U.S. mail. Faced with a choice of supporting the war, suspending publication, or being shut down, the editors decided upon capitulation and renamed the paper the *New Appeal*. After the declaration of armistice in November 1918, the paper began to return to socialism from Wilsonian liberalism; and in 1919 the editors restored the *Appeal*'s original name. But the damage was done, both to circulation and credibility. The paper sputtered on to an ignoble death in 1922, the victim of its inconsistency, the postwar socialist splits, and the Red Scare.

In his measured introductory remarks to each section, editor John Graham reconstructs the history of the *Appeal* admirably, rescuing it from the overly dismissive references to the *Appeal* by Daniel Bell, Ira Kipnis, and David Shannon in their important histories of the Socialist Party. Graham does so without papering over the *Appeal*'s early advocacy of segregation, although he is too generous in framing that compromise with white supremacy as an error by well-meaning socialists who thought racism would end with the abolition of class. Nonetheless, Graham's collection has the advantage of demonstrating that many Socialists were principled opponents of chauvinism, a corrective to later one-sided emphases on the party's racism and sexism.

As revolutionaries today scrutinize the meaning of socialism, the most successful socialist newspaper in U.S. history is worth a second look. Without resorting to romantic mythology or delusions of exact repetition, we can draw lessons and examples from the *Appeal* and the original *Jungle* about how to talk about socialism in the American vernacular. At the very least, their legacy buries the cold-war myth that the United States has never and can never be suitable soil for socialism. That alone should make us grateful to those intelligent sanitation engineers who saw fit to save the Socialist Party from the trash heap of history.

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This powerful and provocative book weaves together a narrative history of Columbus's invasion of the New World with poetry, quotations, and illustrations to unmask conventional versions of the Columbus myth. The artwork, in stark black and white, is adapted from sixteenth-century engravings and woodcuts as well as from contemporary advertising images, hollywood films, and children's books. Deborah Small a writer and artist, and Maggie Jaffe, a poet, dissect the language and images used to dehumanize the indigenous inhabitants of the Americas in order to justify their subjugation and ultimately their extermination. A stunning and revisionist view of Columbus's exploits, **1492** exposes the racial, economic, and sexual politics of conquest.

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(Continued from inside front cover)

1930s, which severely criticized its predecessors for scientific inadequacy but without any intent to change the subject. It seems fair to say that by the middle of the twentieth century there was a pretty general consensus that economics is the science that studies the nature and functioning of economic systems and their effects on the people who live under them.

Surely a worthy endeavor and one that concerns all of us at least as vitally as do the more prestigious "hard" sciences. It was therefore logical enough that after the Second World War the Central Bank of Sweden should want to add a Nobel Prize in Economics to the six prizes that were endowed in the will of the Swedish inventor of dynamite and had been offered annually since 1901. For a while the new prizes went to economists working in the time-honored tradition that dates back to *The Wealth of Nations*, but in recent years this has been less and less true. Last year, as we pointed out in this space in the December 1990 issue of MR, the prize was divided among three U.S. professors of finance whose contribution consisted in providing "new tools for weighing the risks and rewards of different investments and for valuing corporate stocks and bonds." This year's award—to Ronald Coase, retired professor at the University of Chicago law school—is for work at least as far removed from the traditional preoccupation of economics with the way economic systems work. Coase's interest has been in making markets work more efficiently in terms of monetary costs and in minimizing the economic role of government. The *New York Times* story (October 16) announcing the award stated that the work for which Coase was cited is "remarkable for its brevity and accessibility to noneconomists," which is certainly true. But it should be added that its influence has been almost entirely confined to noneconomists. Coase's few simple theories, if they can be called that, have become the inspiration and basis for a large and apparently growing right-wing school of legal thought that has been a prominent aspect of the burgeoning of market and private-property ideology since the 1970s. Ironically, this has been precisely when the capitalist economy, especially in the United States, entered a period of deepening crisis bringing in its wake social and political demoralization on a scale hardly matched in the nation's two centuries of existence. One might think that in these circumstances a prize in economic science ought to go to the economist or economists who have made the greatest contribution to explaining how such a debacle could have come to pass. Does the continuing failure of those who choose the recipients of the Nobel prize to follow this course mean that they think there's no problem, or do they think there are no economists who have made a contribution to solving it?

On Monday evening October 28, a book party was held at the MR office to announce the availability of *Brazil: War on Children*, by Gilberto Dimenstein who won this year's Maria Moors Cabot Prize, awarded to an outstanding international journalist by the Columbia School of Journalism. Published in London by the Latin America Bureau and distributed in this country by Monthly Review Press, this is an extraordinary work that throws a flood of light on what is happening, not only in Brazil but throughout Latin America, to millions of children victimized by free-market capitalism as enforced by the International Monetary Fund and the World Bank. *Brazil: War on Children* should be widely read and deeply pondered by all who care about the future of the human race. It can be ordered from MR Press for $10 a copy.

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